



April 8, 2013

## Ambac Agrees to Terms of IRS Settlement

NEW YORK--(BUSINESS WIRE)--Apr. 8, 2013-- **Ambac Financial Group, Inc.** ("Ambac") has reached an agreement with the United States of America with respect to the terms of a settlement (the "IRS Settlement") that will bring resolution to claims (the "IRS Claims") filed against Ambac by the Internal Revenue Service (the "IRS") and related litigation. Today, Ambac filed a motion with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") seeking approval of the terms of the IRS Settlement (the "Motion").

Upon consummation, the IRS Settlement will provide for a reduction of the IRS Claims and for the dismissal of related litigation in exchange for payments by Ambac, and Ambac Assurance Corporation ("AAC") and/or the Segregated Account of Ambac Assurance Corporation (the "Segregated Account"), and will memorialize compromises among the parties regarding Ambac's net operating loss carry-forwards ("NOLs"). Among the material terms of the IRS Settlement, Ambac shall make a payment to the United States of \$1.9 million, and AAC and/or the Segregated Account will pay the United States \$100.0 million. Ambac shall also pay additional amounts based on payments, if any, received by Ambac from AAC under the existing intercompany tax sharing agreement as a result of AAC's utilization of certain NOLs. In addition, the IRS Settlement will limit Ambac's entitlement to claim any portion of the disputed NOLs relating to its CDS contracts for the tax years covered by the settlement to the extent such NOLs exceed \$3.4 billion, resulting in a net reduction to Ambac's aggregate NOLs of approximately \$1.1 billion.

According to Diana Adams, Ambac's President and Chief Executive Officer, "The IRS Settlement came about through the diligent efforts and support of many interested parties involved in the case and we believe the terms are fair, equitable, and in the best interests of Ambac, its creditors, and AAC. This settlement puts us in a favorable position to emerge from bankruptcy and move forward with managing our existing business and exploring new business opportunities."

The Motion is scheduled to be heard by the Bankruptcy Court at a hearing on April 29, 2013. The entry by the Bankruptcy Court of an order approving the IRS Settlement pursuant to Bankruptcy Rule 9019 will satisfy one of the remaining significant conditions precedent to the consummation of Ambac's confirmed Fifth Amended Plan of Reorganization (the "Plan"). If the order is obtained, Ambac and the IRS will then consummate the IRS Settlement. The effective date of the Plan should occur shortly thereafter.

The complete terms of the IRS Settlement are described in the Motion, which can be found under "Court Documents" at [www.kccllc.net/ambac](http://www.kccllc.net/ambac).

### About Ambac

On November 8, 2010, Ambac Financial Group, Inc. ("Ambac") filed for a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code"). The Bankruptcy Court entered an order confirming Ambac's plan of reorganization on March 14, 2012, however, Ambac is not currently able to estimate when it will be able to consummate such reorganization. Until the plan of reorganization is consummated and Ambac emerges from bankruptcy, it will continue to operate in the ordinary course of business as "debtor-in-possession" in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. Currently, Ambac's common stock trades in the over-the-counter market under ticker symbol ABKFQ. Upon consummation of the plan of reorganization, Ambac's existing common stock will be cancelled and extinguished and the holders thereof will not be entitled to receive, and will not retain, any property or interest on account of such common stock.

Ambac's principal operating subsidiary, Ambac Assurance Corporation, is a guarantor of public finance and structured finance obligations.

Source: Ambac Financial Group, Inc.

### Ambac Financial Group, Inc.

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